Tax Policy Group
915 SW Harrison St
Topeka KS 66612-1588
Samuel M. Williams, Secretary

Kansas
Department of Revenue

Phone: 785-296-3081
FAX: 785-296-7928
www.ksrevenue.org
Sam Brownback, Governor

NOTICE 17-05

NET OPERATING LOSSES FOR INDIVIDUALS (JULY 1, 2017)

The calculation of an individual's Kansas income tax starts with federal adjusted gross income. Certain modifications, either additions or subtractions, required by K.S.A. 79-32,117 are then made to arrive at Kansas adjusted gross income.

The 2017 Legislature enacted Senate Bill 30 which makes modifications to state income tax rates and other changes. Section 5 of the Bill amends K.S.A. 79-32,117(b)(iii) to provide that for tax years beginning after December 31, 2016, there is no requirement for an individual to add-back a federal net operating loss as an addition modification. The amended provision states:

> (b) There shall be added to federal adjusted gross income:
>
> (iii) The federal net operating loss deduction, *except that the federal net operating loss deduction shall not be added to an individual's federal adjusted gross income for tax years beginning after December 31, 2016.*

The effect of this amendment is to allow a federal net operating loss taken on an individual's federal Form 1040 to "flow through" to Kansas.

The amendment made by Senate Bill 30 reverses changes made during the 2012 Legislative Session. As explained in Notice 12-08, those changes provided:

1) The net operating deduction for individuals was eliminated starting in tax year 2013.

2) An individual was not allowed to carry net operating losses forward to tax year 2013 or later years, or back to earlier years.

3) The requirement to add-back a federal net operating loss as an addition modification remained in effect.

It should be noted that the amendment in Senate Bill 30 does not change the manner in which prior year net operating losses are treated. Except as permitted or required on their federal income tax return for tax years beginning after December 31, 2016, an individual may not carry a prior year net operating loss forward to tax year 2013 or later years, or back to any earlier tax year.

Taxpayer Assistance

Additional copies of this notice, forms or publications are available from our web site, **www.ksrevenue.org**. If you have questions about this Notice, please contact:

Taxpayer Assistance Center
Kansas Department of Revenue
Topeka, KS 66612-1588
Phone: 785-368-8222
Fax: 785-291-3614